

Message Text

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ACTION EB-08

INFO OCT-01 EA-07 ISO-00 FEA-01 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 /082 W

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 8123

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E.O. 11652: N/A

TAGS: ETRD, RP

SUBJECT: GSP: FIRST YEAR REVIEW

REF: STATE 67507

1. POST EFFORT TO PRESENT PRELIMINARY THOUGHTS AS REQUESTED
REFTEL HAS BEEN HAMPERED BY DECIMATING EFFECT OF EASTER
VACATION PERIOD ON GOP BUREAUCRACY. DEPT. OF TRADE IS ALSO
DOING STUDY OF EFFECT OF GSP, BUT HAS SO FAR BEEN UNWILLING
TO SHARE RESULTS WITH EMBASSY. EMBASSY WILL FORWARD TEXT
AND ANALYSIS OF STUDY WHEN AND IF WE ARE ABLE TO OBTAIN
COPY.

2. OUR FIRST OBSERVATION IS PHILIPPINE GSP PROGRAM IS
HOPELESSLY DISTORTED BY INCLUDING SUGAR. IN THEORY, 322
MILLION DOLLARS OF GOP EXPORTS WERE ELIGIBLE FOR GSP LAST
YEAR. OF THIS AMOUNT, SUGAR ACCOUNTS FOR 267 MILLION
DOLLARS. SUGAR HAS NEVER BEEN AND WILL NEVER BE ELIGIBLE
FOR GSP AS LONG AS COMPETITIVE NEED PROVISION APPLIES, NOT
TO MENTION EFFECT OF RECENT ITC DECISION ON SUGAR. SUBTRACTING
SUGAR EXPORTS AND EXPORTS WHICH ARE NOT RPT NOT
ELIGIBLE FOR GSP DUE TO COMPETITIVE NEED (27 MILLION
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DOLLARS IN 1976), PHILIPPINES EXPORTED 68.5 MILLION
DOLLARS OF GOOD ELIGIBLE FOR GSP, OR (USING GOP
FIGURE OF 924 MILLION DOLLARS FOR TOTAL EXPORTS TO
U.S. IN 1976 7.4 PERCENT OF EXPORTS TO U.S.

3. OF 68.5 MILLION DOLLARS ELIGIBLE, 10 MILLION
DOLLARS DID NOT BENEFIT FROM GSP. SO FAR EMBASSY

HAS BEEN UNABLE TO DETERMINE WITH ANY CERTAINTY WHY THIS HAPPENED. ONE LIKELY EXPLANATION IS THAT THIS 10 MILLION DOLLARS OF EXPORTS WAS DIVIDED INTO VERY SMALL SHIPMENTS, AND EXPORTERS WERE NOT RPT NOT AWARE OF GSP OR SAW NO ADVANTAGE IN IT FOR THEMSELVES. THE 10 MILLION DOLLARS COVERS 204 ITEMS, FOR AN AVERAGE OF ABOUT 50,000 DOLLARS FOR EACH ITEM. A RELATIVELY SMALL NUMBER OF THESE 204 ITEMS ACCOUNTS FOR A CONSIDERABLE PERCENTAGE OF THE TEN MILLION DOLLARS OF TRADE. EMBASSY PLANS TO INVESTIGATE IN DETAIL WHY THESE ITEMS DID NOT RECEIVE GSP.

4. WITH REGARD TO CHANGES IN THE LIST OF ELIGIBLE ITEMS FOR 1977, EIGHT ITEMS WERE REMOVED FROM THIS LIST. IN EVERY CASE, ITEMS WAS REMOVED BECAUSE PERCENTAGE OF IMPORTS WAS ABOVE 50 PERCENT. TOTAL RPT TOTAL VALUE OF EXPORTS OF ALL EIGHT OF THESE ITEMS WAS ONLY 145,118 DOLLARS. IT SEEMS OBVIOUS THAT GSP FOR THESE ITEMS WILL NEVER BE OF ANY GREAT BENEFIT AS LONG AS THE PHILIPPINES REMAINS FOR ALL PRACTICAL PURPOSES THE ONLY SUPPLIER.

5. WE HAVE NOT YET BEEN ABLE TO DETERMINE THE EFFECT OF GSP ON TRADE, TRADE PATTERNS OR INVESTMENT, ALTHOUGH EMBOFF HAS DISCUSSED ISSUE WITH GOP OFFICIALS IN BOTH DEPT. OF TRADE AND CUSTOMS. GOP OFFICIALS HOLD VIEW THAT PHILIPPINES IS STRONGLY DISADVANTAGED BY COMBINATION OF COMPARATIVE NEED PROVISIONS OF TRADE ACT AND PATTERN OF TRADE WHICH, DUE TO TRADITIONAL RE-LIMITED OFFICIAL USE

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LATIONSHIPS, MEANS LARGE PERCENTAGE OF PHILIPPINE EXPORTS GO TO U.S. IN FACT, IN 1976, EXCLUDING SUGAR, ABOUT 28 PERCENT OF GOP EXPORTS WHICH WOULD HAVE OTHERWISE BEEN ELIGIBLE FOR GSP WERE EXCLUDED BY COMPETITIVE NEED PROVISION. IF WE INCLUDE SUGAR (AND GOP OFFICIALS DO, OF COURSE), PERCENTAGE EXCLUDED BY COMPETITIVE NEED JUMPS TO AN IMPRESSIVE, BUT WE BELIEVE MEANINGLESS, 79 PERCENT. MEANINGLESS OR NOT, GOP OFFICIALS, FROM PALACE DOWN, SEE COMPETITIVE NEED AS DISCRIMINATING AGAINST PHILIPPINES. WE WILL DISCUSS THIS PROBLEM IN MORE DETAIL IN LATER CABLES. SULLIVAN

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